



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 12, 2002

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
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Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES FISCAL REVIEW  
RECOMMENDATION FOLLOW UP**

On December 11, 2001, your Board requested a progress report on the Department of Public Social Services' (DPSS) implementation of the recommendations in our November 16, 2001 Fiscal Review. This is our follow up report.

**Background/Purpose**

Our November 2001 Fiscal Review evaluated the Department's internal controls and compliance with County fiscal policies and procedures. The audit included 22 recommendations for improvement. The purpose of our follow up review was to assess the Department's progress in implementing the recommendations.

**Summary of Findings**

Overall, the Department has made progress in implementing the recommendations. To date, the Department has implemented 10 (45%) recommendations and 12 (55%) recommendations remain in progress (Attachment I). The recommendations in progress focus on Procurement, Accounts Payable, Warehouse Controls, and Controlled Equipment.

In addition, we identified additional internal control deficiencies related to the Department's computerized inventory maintenance system. We recommend that the Department strengthen its inventory controls by correcting programming errors in the computerized inventory system and ensuring only appropriate employees have the ability to make additions or deletions to the inventory system.

Details of our findings are included in the attached report.

**Conclusion**

Considering the Department is in the process of implementing over half of the audit's recommendations, we recommend that the Department submit quarterly status reports to the Board on its progress in implementing the outstanding recommendations.

**Review of Report**

We discussed our report with DPSS management on July 9, 2002. They agreed with our appraisal of the Department's progress in implementing the recommendations, and will provide your Board with a written response within 30 days of the issuance of this report.

We thank DPSS management and staff for their cooperation and assistance during our review. Please call me or have your staff call DeWitt Roberts at (213) 974-0301 or Joseph Kelly at (213) 974-0340 if you have any questions.

JTM:DR:JK

Attachment

c: David E. Janssen, Chief Administrative Officer  
Bryce Yokomizo, Director, Public Social Services  
Violet Varona-Lukens, Executive Officer  
Public Information Office  
Audit Committee

**Los Angeles County**

**Department of Public Social Services**

**Fiscal Review – Follow Up**

**July 2002**

Prepared by:

Department of Auditor-Controller

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**Department of Public Social Services**  
**Fiscal Review**  
**Recommendation Follow Up Report**

**Background/Purpose**

On December 11, 2001, your Board requested a follow up report on the Department of Public Social Services' (DPSS) implementation of the recommendations in our November 2001 fiscal operations audit. This is our follow up report.

**Status of Recommendations**

The Fiscal Review included 22 recommendations for improvement. Based on this follow up, DPSS has implemented 10 (45%) recommendations and 12 (55%) recommendations remain in progress.

Recommendations are numbered consistent with the audit report.

**Procurement/Accounts Payable**

**Recommendation 1**

***DPSS management take a more proactive role in its oversight of purchasing functions to ensure that the Assets Management Section (AMS) provides the necessary level of control and monitoring to ensure the Department's purchasing functions are operating effectively and in accordance with established policies.***

**Current Status:     IN PROGRESS**

Our original review disclosed significant internal control problems in the Department's purchasing functions. In this follow up, we determined that management has implemented or begun to implement the recommendations related to improving internal controls over purchasing functions. However, implementation of four of our five recommendations relating to purchasing functions (recommendations 2 through 6) is still in progress.

**Recommendation 2**

***The Department instruct procurement staff to compare prices and payment terms for Master Agreement purchases before ordering supplies to ensure the Department gets the best overall price and payment terms.***

**Current Status:     IN PROGRESS**

The Internal Services Department (ISD) has established master agreements with several vendors for personal computers, peripherals, software and related services. ISD Bulletins No. 78-4, 806, and 809 require departments to compare vendor prices and

select the vendor with the best overall price consistent with the department's needs. ISD also requires departments to verify these quotes are consistent with the master agreements by obtaining the vendor's purchase cost and applying the agreement markup percentage.

Our original review disclosed that DPSS staff did not always compare vendor prices and select the vendor with the best overall cost. Our current review disclosed that, although the Department's Office of Information Technology (OIT) staff now compares vendor prices and selects the vendor with the lowest overall cost, OIT staff does not verify that the quoted prices are in compliance with the master agreements. Specifically, we reviewed 15 purchases of computer equipment from master agreement vendors. We found that OIT staff requested quotes from at least three agreement vendors, compared quotes from the vendors, and ordered from the low bid vendor. However, OIT did not obtain the vendor's purchase cost, as required by ISD bulletin 809, and did not verify that the quoted prices equaled the vendor's purchase cost plus the agreed-upon markups.

### **Recommendations 3 and 4**

#### ***The Department:***

- ***Ensure that procurement staff compare purchase prices to the terms of the vendor agreements and that accounts payable staff review receiving reports/shipping documents, and purchase orders, and that any discrepancies are resolved before processing the vendor payments.***
- ***Ensure that locations that receive equipment directly from vendors send copies of the receiving reports to AMS in a timely manner.***

#### **Current Status:    IN PROGRESS**

The County Fiscal Manual (CFM), Section 4, and the ISD Procurement Manual require departments to match various purchasing documents before processing invoices for payment. For items purchased from agreement vendors, these guidelines include a requirement that departments verify purchase amounts and terms against agreement prices and terms before processing invoices for payment. For all purchasing transactions, departments must also match the vendor invoice to the receiving report/shipping document and purchase order before processing the payment. This match is important to confirm that the number of items ordered, delivered and paid for agree.

Our original review disclosed that DPSS staff was not performing the required match on a consistent basis. In addition, we noted that because of limited warehouse space, vendors shipped equipment or supplies ordered directly to locations requesting the equipment. Departmental procedures require office locations that receive items directly to forward a copy of the report of goods received to AMS. However, we found that

receiving locations did not always forward a copy of the report of goods received to AMS as required.

In this follow up, we determined that Procurement staff did not verify nor document the pricing for two (20%) of the ten purchases made from agreement vendors that we reviewed. The price paid exceeded the agreement price for these two purchases by a total of \$1,487.

We also reviewed 30 payment voucher packages and found that in one instance a package did not include the receiving document and in two instances Accounts Payable staff processed vendor payments even though the receiving documents did not match the invoices, resulting in a minor overpayment.

On January 30, 2002, Financial Management Division management issued a bulletin to division chiefs and office heads re-emphasizing the requirement to forward all original receiving documents and packing slips to AMS immediately upon verification of the goods received. For two (12%) of the 12 payments we reviewed, AMS did not receive confirmations from the receiving locations.

#### **Recommendation 5**

***The Department ensure that personnel who order goods/services do not have accounts payable duties.***

**Current Status:     IMPLEMENTED**

CFM Section 4.1.3 requires separation of key procurement functions to provide a system of checks and balances to enhance internal controls. This includes ensuring that the process of ordering goods and services is separate from the process of paying vendors. During our original review, we noted that the same individual who approves purchase orders also established the accounts payable. In this follow up, we reviewed AMS' organization chart, observed daily operations, and interviewed Accounts Payable and Procurement management and staff and concluded the accounts payable and procurement functions are now separated.

#### **Recommendation 6**

***The Department monitor to ensure that corrective action is taken to correct internal control weaknesses identified during the completion of the Internal Control Certification Program (ICCP) questionnaires.***

**Current Status:     IMPLEMENTED**

County Code Section 2.10.015 requires each County department and special district to annually evaluate its fiscal controls in accordance with ICCP procedures established by the Auditor-Controller. Specific internal policies, procedures and practices are essential to safeguard County assets, provide accurate financial records, ensure compliance with

County and departmental policies and promote efficiency and effectiveness of operations.

Our original review identified the same weaknesses the Department noted in its FY 1999-00 ICCP. However, although the Department certified to correct the weaknesses by May 2000, we found that corrective action had not taken place.

In this follow up, we determined that the Department's Fiscal Compliance Section monitors the corrective action plans related to internal control weaknesses identified in the ICCP and other reviews. For example, the Section performed a six month follow up review to the Department's FY 2000-01 ICCP and reported the status of ICCP weaknesses to management. In addition, in May 2002, the Section provided an ICCP training class to more than one hundred of DPSS' managers on strengthening/correcting internal control weaknesses.

### **CAPS On-Line Vendor Payments**

During FY 1997-98, we conducted a review of on-line vendor payments processed by DPSS on the Countywide Accounting and Purchasing System (CAPS). Our April 1998 report contained 16 recommendations to strengthen controls over on-line payments. In our November 2001 Fiscal Review, we evaluated the actions taken by the Department to implement the recommendations in the April 1998 report. We found that the Department had not implemented five recommendations related to expenditure accruals, use of vendor codes, and the timing of vendor payments. In this follow up, we again reviewed the status of the five recommendations.

### **Recommendation 7**

***The Department ensure the following recommendations contained in the CAPS On-Line Vendor Payment Review report are effectively implemented and remain implemented.***

#### **▪ CAPS On-Line Recommendations 1 and 2**

***DPSS management ensure the accuracy of expenditure accruals by establishing accruals only for goods/services received as of June 30th, but not yet paid.***

***DPSS management periodically monitor accruals throughout the year so that, if amounts are over accrued, the remaining unspent balances are cancelled timely.***

**Current Status:     IN PROGRESS**

Expenditure accruals (accounts payable) represent the amount owed at the end of a fiscal year that have not yet been paid. The Auditor-Controller provides instructions to



departments on how to account for and report these liabilities to help ensure the County has accurate records of its financial position and the results of operations.

Both our April 1998 CAPS On-Line Vendor Payment Review and our November 2001 Fiscal Review disclosed that DPSS was not appropriately establishing accruals or monitoring accrual activity. For this follow up, we reviewed 20 expenditure accruals totaling \$4,551,323 established as of June 30, 2001, and found that as of April 30, 2002, \$1,770,465 (39%) remained unpaid. Accounts payable staff could not provide appropriate invoices or justification for the remaining balance. This indicates that accounts payable staff does not properly establish, monitor, or cancel accruals.

In addition, we tested 15 payments totaling \$267,211 made in July and August 2001 related to accounts payables established at June 30, 2001. We determined that \$260,306 (97%) properly related to goods/services received before June 30, 2001. However, we were not able to verify two payments totaling \$6,905 (3%) because the Accounts Payable staff could not locate the payment vouchers.

Finally, we tested 15 current year expenditures totaling \$6,479,643 made in July and August 2001 and found that Accounts Payable staff properly paid for the goods/services using current year funds.

▪ **CAPS On-Line Recommendation 5**

***DPSS management take steps to ensure that staff consistently search the CAPS Vendor Table before making a payment to determine whether the vendor has an existing code.***

**Current Status:     IN PROGRESS**

CAPS maintains a Vendor Table (VEND) containing vendor codes for about 49,000 County vendors. CFM Section 4.3.6 requires that departments use vendor specific codes to the fullest extent possible when processing vendor payments. Use of vendor codes reduces on-line data entry time, provides automated year-end reporting to the IRS, and provides summary reporting on Countywide purchasing activity. We previously noted in our April 1998 CAPS On-Line Vendor Payment Review and our November 2001 Fiscal Review that the Department regularly processed payment voucher transactions using a miscellaneous vendor code rather than the appropriate vendor specific code. For example, in FY 1996-97, DPSS used a miscellaneous vendor code for 24% of all payment voucher transactions.

This follow up disclosed that the Department has decreased usage of the miscellaneous vendor code. As of April 4, 2002, DPSS used the miscellaneous vendor code for 1,018 (17%) of 6,099 payment voucher transactions in FY 2001-02, indicating a decreased reliance on the miscellaneous vendor code from the FY 1996-97 level. However, the Department still uses the miscellaneous code inappropriately. DPSS management stated that they continued to use the miscellaneous vendor code for payments to employees or for one-time payments for which the benefits of using a specific vendor

code were minimal. We reviewed 15 payments DPSS made using the miscellaneous vendor code in December 2001 or in the first part of 2002 and found that a specific vendor code already existed for four (27%) of the 15 payments. In addition, these four payments were to vendors to whom the Department made multiple payments in FY 2001-02.

▪ **CAPS On-Line Recommendations 8 and 9**

***DPSS management take the necessary steps to ensure payments are made to vendors within 30 calendar days, as required by CFM Section 4.3.8.***

***DPSS management ensure that, unless justified, vendor payments are not issued earlier than 30 calendar days from the date of receipt of the goods and services, or receipt of the invoice, whichever occurs later.***

**Current Status:     IN PROGRESS**

Both our April 1998 CAPS On-Line Vendor Payment Review and our November 2001 Fiscal Review disclosed that DPSS did not consistently follow County guidelines to ensure the Department paid vendors timely and maximized cash flows.

In this follow up, we found that Accounts Payable management issued a memorandum on January 4, 2002 reminding staff of the 30 calendar day timeframe for processing vendor payments. We reviewed 30 payment voucher transactions paying 53 invoices to determine if DPSS staff processed the invoices for payment within the 30 day timeframe. We found that DPSS staff processed payment for 33 (62%) of the 53 invoices an average of 43 days late. The Department lost available vendor discounts totaling \$216 for 17 of these invoices. In addition, the Department processed six (11%) of the 53 invoices an average of nine days early. None of these six payments involved vendor discounts.

**Warehouse Controls**

**Recommendation 8**

***The Department ensure accurate perpetual inventory records are maintained.***

**Current Status:     IN PROGRESS**

CFM Section 5.2.6 requires Departments to maintain perpetual inventory records for large inventories. DPSS maintains a supply inventory with a value of approximately \$2.3 million in its warehouse. The Department uses an automated Inventory Maintenance System (IMS) to monitor and control supply inventories. IMS is a database system designed to maintain a perpetual inventory record of stock on-hand at AMS.

Our original review disclosed that the Department did not update the automated inventory system or maintain perpetual inventory records for over a year. In addition,

we found that the Department had not corrected programming errors or enhanced system capabilities as recommended in a prior audit report.

During this follow up, AMS management stated they now update and maintain perpetual inventory records for supplies inventory in IMS. To test the accuracy of the perpetual inventory system, we selected 15 items from the perpetual inventory list and compared the listed quantity to the physical quantity on-hand. In addition, we selected 15 items in the warehouse and compared the physical quantity to the quantity on the perpetual inventory list. We found that the actual quantity on-hand was less than the inventory list quantity for 13 (43%) items and the actual quantity on-hand exceeded the inventory list for 11 (37%) of the 30 items. The dollar value of the net inventory shortage totaled \$64,177. AMS staff offered the following explanations for the discrepancies.

- **Warehouse employees may take paper from stock for use in the warehouse office without updating IMS.** During our testwork, we found the physical quantity of the paper was 425 reams short, resulting in a discrepancy totaling \$8,160. Two warehouse employees we interviewed indicated that employees often take paper from warehouse stock for use in the office copy machines without processing the proper paperwork to update the inventory list.
- **Two items on shelves were not labeled with DPSS' stock number or were mislabeled.** Specifically, we found one shelf of toner cartridges where neither the item nor the shelf indicated the stock number. Warehouse employees told us what the stock number should be, but our count revealed that the physical quantity on hand for this item exceeded the reported quantity by 56, a difference totaling \$2,464. We also found one large pallet of forms mislabeled. Our count revealed the physical quantity on hand for this item was short 6,132, a difference totaling \$33,542. These labeling problems may result in miscounts or in warehouse employees taking the wrong items from the shelves to deliver to locations.
- **The IMS program appears to contain programming errors.** AMS staff explained many of the discrepancies between our count and the reported quantity could result from programming errors in IMS. We previously reviewed IMS in 1993 and recommended that the Department correct programming errors. One programming error identified in our prior audit resulted in differences in reported quantities on hand between two reports, the Inventory Status Report, which lists all stock items and the total quantity on hand for each item, and the Location Bin Status Report, which shows the quantity on hand for each stock number broken down by location code. During our current follow up, we found evidence that this programming error still exists. DPSS management should review the IMS system and correct programming errors as recommended in our prior audit report.

During this follow up, we noted an additional control problem related to the inventory maintenance system. CFM Section 5.2.3 requires that the functions of ordering, authorizing, receiving, and recording transactions are adequately separated to ensure

that inventory transactions are proper and to minimize the potential for inventory related defalcations. However, we noted that two employees who formerly supervised or managed the Inventory Control section but who now perform procurement functions of ordering or authorizing transactions have full access to make additions and deletions to perpetual inventory quantities in IMS. The Department should review employees' level of access to IMS and ensure only appropriate employees have the ability to make additions or deletions to IMS.

### **Recommendations**

- 1. DPSS management review the IMS system and correct programming errors as recommended in our prior audit report.**
- 2. DPSS management review employees' level of access to IMS and ensure only appropriate employees have the ability to make additions or deletions to IMS.**

### **Recommendations 9, 10 and 11**

#### ***The Department:***

- *Ensure that unsupervised access to inventory areas is restricted to authorized personnel only.***
- *Instruct warehouse employees to park in the area designated for employee parking and not in the warehouse dock area.***
- *Ensure that adequate safety measures are taken to reduce the risk of employee injury.***

#### **Current Status:     IMPLEMENTED**

During our original review we performed a walkthrough of the warehouse and noted that unsupervised delivery people had access to warehouse items, employees parked in the warehouse loading and unloading areas, and storage racks were overloaded.

During our current follow up we again performed a walkthrough of the warehouse. We found that AMS has improved security at the warehouse. We observed that a locked door, which required a key card to open from the outside, controlled the entrance to the warehouse. AMS staff required visitors to the warehouse to sign in and to wear a "visitor" badge. We observed DPSS employees supervising delivery personnel while they were in the warehouse. Loading dock doors were closed when not in use. Many items of higher value or easily convertible to personal use were located in higher security areas of the warehouse. AMS management stated that they instructed employees not to park in the warehouse dock area. We observed that employees did not park personal vehicles in the warehouse dock area.

AMS also improved safety at the warehouse. We noted that AMS installed new heavy duty racks throughout the warehouse, painted guide lines on the warehouse floor, provided forklift training to warehouse employees, and installed signs throughout the warehouse reminding employees of the importance of safety.

### **Recommendation 12**

***The Department develop and maintain a fixed asset listing that identifies the unit/location of all fixed assets and conduct an annual inventory of its fixed assets.***

**Current Status:     IN PROGRESS**

CFM Section 6.1.3 requires departments to maintain fixed asset listings of all assets assigned to a specific unit/location. This section also requires County departments to conduct an annual inventory of their fixed assets.

During our original review, we noted that the Department did not maintain a fixed asset listing that identified the unit/location of the fixed asset, and the Department had not conducted a fixed asset inventory since 1995.

After our original review, AMS initiated the development of a comprehensive asset listing of fixed assets and portable equipment for the entire Department. During this follow up, AMS management stated that this listing is now approximately 80% complete. We reviewed the asset listings for two locations that AMS had completed and found the listing identifies location of each item. However, the listing does not distinguish between fixed assets from portable equipments items, and the listing does not include the cost of each item. AMS management is aware of these issues and stated it will address them as it finalizes this project in the coming months.

AMS plans to conduct annual inventories of the Department's assets once it has completed the comprehensive asset listing.

### **Controlled Equipment**

### **Recommendation 13**

***The Department maintain a department-wide computer inventory listing that identifies the individuals assigned specific computer equipment.***

**Current Status:     IN PROGRESS**

Portable items are equipment items that can be easily carried or moved. CFM Section 6.4.2 requires departments to maintain a department-wide list of portable equipment identifying the name of the person responsible for portables at each location.

Our original review of the Department's internal controls over portable computer equipment disclosed that, although the Department maintained a portable equipment listing, the Department did not update the listing on a regular basis and the listing did not indicate the person to whom the Department assigned the equipment.

In this follow up, we reviewed the computer equipment on AMS' comprehensive asset listing of fixed assets and portable equipment. The listing identifies the location of each item by a location code that indicates the building, floor, and office or cubicle where the item is located. We tested the completeness and accuracy of the comprehensive asset listing by attempting to match to the listings physical computer equipment for two locations for which AMS had completed the listing. Specifically, we selected 20 items from the listing and attempted to locate the physical item, and we selected a total of 20 items from the two locations and attempted to trace them to the listing. We noted the following deficiencies in the asset listing.

- **The listing is not complete or contains inaccuracies.** We found that the controlled assets listing is not complete or contains inaccuracies for 18 (45%) of 40 items we tested. Specifically, we were unable to locate eight items at the locations indicated in the list, six items we found at the two buildings were not included in the asset listing for the building, and the location code for three items did not match the actual location or did not indicate a specific location. We also found one item where the list did not contain any description of the item - only the barcode and location code.
- **The listing does not distinguish between fixed assets and portable equipment.** As noted above, the comprehensive asset listing does not distinguish between fixed assets and portable equipment or include dollar amounts for all items. AMS management stated that staff is in the process of adding cost information to the listing.
- **AMS' asset listing does not indicate the person to whom the Department has assigned computer equipment such as laptops and OIT's laptop listing contains inaccuracies.** DPSS management stated the Department's policy is to assign desktop computers to a workstation, not to an individual, and that the location code on AMS' comprehensive asset listing identifies the district manager who is responsible for all equipment at the location. However, the Department does assign laptops and home based PCs to specific individuals. AMS' comprehensive asset listing does not indicate the individuals to whom the Department has assigned this equipment.

OIT separately maintains a listing of laptops and home-based PCs, and this listing does indicate the person to whom the Department has assigned the equipment. However, we found that OIT's listing of laptop computers is not complete. We selected 15 user names from user information forms in OIT's file and found that six (40%) of the user names did not appear on the laptop inventory listing. We also attempted to locate user information forms for 15 user names on the laptop inventory listing, but OIT staff was unable to locate forms for

six (40%) of the users. OIT staff stated that they are aware that the laptop listing contains inaccuracies and that they are in the process of updating the database.

### **Recommendations 14 and 15**

***The Department develop specific policies that address assigning computer equipment to non-County (Contract) employees. The policies should include the requirement to justify the reasons for providing non-County employees with the County-owned equipment and procedures to document/account for specific items being assigned to the non-County employees.***

***The Department require specific detailed written justification for home use of DPSS owned computer equipment.***

### **Current Status:     IMPLEMENTED**

Our original review disclosed that DPSS did not have policies that addressed providing County assets to consultants and that equipment agreements with contractors did not include a description of the item the Department assigned to the contractors. In addition, we noted that the Department did not maintain specific detailed documentation to justify home use of DPSS owned portable computer equipment.

Our current follow up disclosed that OIT's current statement of work for contractors requires contractors to sign a User Policy form, to safeguard the equipment, to use the equipment solely for County business, and to return the equipment to a County representative when leaving County service. The user policy forms include the description and serial number of the laptops the Department assigned to the contractor and a detailed justification for assigning DPSS equipment to the contractor for home use.

In addition, we found that in January 2002, OIT issued a directive in conjunction with its annual technical equipment review requiring users throughout the Department to submit detailed justifications for continuing home use of DPSS owned computer equipment. We reviewed 15 completed technical review forms and found that they contained sufficient written justification for home use of DPSS owned computer equipment. In addition, we found that OIT's user information forms, which new users must sign, now include a space for a detailed written justification for home use of DPSS equipment.

### **Travel Expenses**

### **Recommendation 16**

***The Department reconcile the Travel Agent billing statements to the approved travel requests.***

### **Current Status:     IMPLEMENTED**

Our original review disclosed that DPSS staff did not reconcile travel agent billing statements to the authorized travel request. During this follow up, we determined that since the issuance of the original fiscal review, the Auditor-Controller distributed 10 billing statements to Finance. Based on our review, we determined that Finance staff reconciled the 10 statements within 39 days.

### **Revolving Fund**

#### **Recommendation 17**

***The Department ensure that the revolving fund custodians do not have other cash handling responsibilities.***

**Current Status:      IMPLEMENTED**

CFM Section 1.6.3 prohibits custodians of revolving funds to have any other cash handling responsibilities (including the ability to sign checks or authorize revolving fund disbursements). This control ensures the proper accountability and security over revolving funds.

Our original review disclosed that the Administrative Services Manager of the Finance Division Cashiers Unit was the secondary custodian of the Revolving Petty Cash Fund and the Cash Aid Fund. As the manager, the individual was the authorized check signer of the two funds. As the secondary custodian, the manager also had other cash handling responsibilities such as having access to the safe and the check-writing machine. Our current review disclosed that DPSS management removed the manager as the secondary custodian from both the Revolving Petty Cash Fund and the Cash Aid Fund. In addition, based on our review of the current primary and secondary custodians' duties for both funds, the custodians do not have any other cash handling responsibilities.

### **Contracting**

#### **Recommendation 18**

***The Department establish procedures requiring bid evaluators to meet and discuss their evaluations prior to awarding a contract.***

**Current Status:      IMPLEMENTED**

Our original review disclosed that for one bid evaluation process reviewed, two bid evaluators had completed bid evaluation instruments with scoring discrepancies. For example, one evaluator noted missing documents in the bidder's proposal, while the second evaluator noted finding the documents. A meeting to discuss the discrepancies would have prevented this error and enhanced the integrity of the process. It was noted that the discrepancies in scoring did not prevent a bidder from receiving a contract since all contractors submitting a bid received a contract.



Our current review disclosed that DPSS management issued a directive in December 2001 outlining the competitive bid process, which included instructions requiring bid evaluators to meet and discuss scoring discrepancies prior to awarding a contract. Since November 2001, the Department has evaluated the responses for one Request for Proposal. In March 2002, the Auditor-Controller's Office reviewed the Department's contract evaluation process and noted that the bid evaluators met to discuss scoring discrepancies.

**Department of Public Social Services Fiscal Review  
Recommendation Follow up  
Status of Recommendations**

**Recommendations In Progress**

1. DPSS management take a more proactive role in its oversight of purchasing functions to ensure that the Asset Management Section (AMS) provides the necessary level of control and monitoring to ensure the Department's purchasing functions are operating effectively and in accordance with established policies. (#1)
2. The Department instruct procurement staff to compare prices and payment terms for Master Agreement purchases before ordering supplies to ensure the Department gets the best overall price and payment terms. (#2)
3. The Department ensure that procurement staff compare purchase prices to the terms of the vendor agreements and that accounts payable staff review receiving reports/shipping documents, and purchase orders, and that any discrepancies are resolved before processing the vendor payments. (#3)
4. The Department ensure that locations that receive equipment directly from vendors send copies of the receiving reports to AMS in a timely manner. (#4)
5. DPSS management ensure the accuracy of expenditure accruals by establishing accruals only for goods/services received as of June 30<sup>th</sup>, but not yet paid. (#7-1)
6. DPSS management periodically monitor accruals throughout the year so that, if amounts are over accrued, remaining unspent balances are cancelled timely. (#7-2)
7. DPSS management take steps to ensure that staff consistently search the CAPS Vendor Table before making a payment to determine whether the vendor has an existing vendor code. (#7-5)
8. DPSS management take the necessary steps to ensure payments are made to vendors within 30 calendar days, as required by CFM section 4.3.8. (#7-8)
9. DPSS management ensure that, unless justified, vendor payments are not issued earlier than 30 calendar days from the date of receipt of the goods and services, or receipt of the invoice, whichever occurs later. (#7-9)
10. The Department ensure accurate perpetual inventory records are maintained. (#8)

11. The Department develop and maintain a fixed asset listing that identifies the unit/location of all fixed assets and conduct an annual inventory of its fixed assets. (#12)
12. The Department maintain a department-wide computer inventory listing that identifies the individuals assigned specific computer equipment. (#13)